
GREEN
GIANT
COMPANY
FISCAL
68

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TRANSFER AGENTS

First National Bank of Minneapolis
120 South Sixth Street, Minneapolis, Minnesota 55402

The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza, New York, New York 10015

REGISTRARS

First Trust Company of Saint Paul
332 Minnesota Street, St. Paul, Minnesota 55101

First National City Bank
55 Wall Street, New York, New York 10015

GREEN GIANT COMPANY
ANNUAL REPORT FOR THE
FISCAL YEAR ENDED
MARCH 31, 1968

The year at a glance

(Dollar Totals in Thousands)	*March 31,* **1968**	*March 31,* 1967
Net Sales	**$177,623**	$173,033
Net Earnings after Taxes	**6,269**	5,734
Depreciation and Amortization	**6,626**	5,208
Capital Expenditures	**10,662**	12,218
Working Capital Employed	**50,034**	37,799
Total Capital Employed	**93,977**	79,737
Common Stockholders' Equity	**57,240**	52,818
Per Share	**20.47**	19.11
Net Earnings per Common Share	**2.21**	2.10
Dividends per Common Share	**.84**	.75
Number of Stockholders	**7,014**	7,566

THE ANNUAL MEETING of the Stockholders will be held on Thursday, July 18, 1968 in the Auditorium on the fifth floor of the First National Bank Building, Minneapolis, Minnesota. Meeting time will be 10:00 a.m. Central Daylight Saving Time.

R. C. COSGROVE L. E. FELTON

To Shareholders and Employees

Green Giant sales increased modestly in fiscal 1968 to a high of $177,623,000 from $173,033,000 in 1967, an increase of 2.7 percent. On the other hand, profits were up 9.3 percent from $5,734,000 in 1967 to $6,269,000 in 1968.

Per share earnings were $2.21 this year compared to $2.10 a year earlier, or an increase of 5.2 percent. Average shares outstanding increased from 2,676,000 to 2,785,000. Dividends were increased to an annual rate of 88¢ per share from 80¢ per share representing the tenth consecutive year of dividend increases.

During the year, the consolidation program started a year earlier was virtually completed. The company's Italian operation—unprofitable since its inception—is being liquidated. Production facilities at Lacey, Washington, Exmore, Virginia, and Bridgeville, Delaware were sold and the desired production of these facilities was transferred to more profitable locations. The Dulany franchise, of questionable value to Green Giant in the long run, was also sold. A number of low volume and/or unprofitable items were eliminated.

New items and concepts with more promise for profitable growth were inaugurated. Five items of frozen rice packaged in the familiar cooking pouch were successfully placed in test markets. Six items of canned pork and beans were likewise launched in test markets. These, plus other items in various stages of research and development, are designed to reestablish the momentum of sales growth so evident in our recent years.

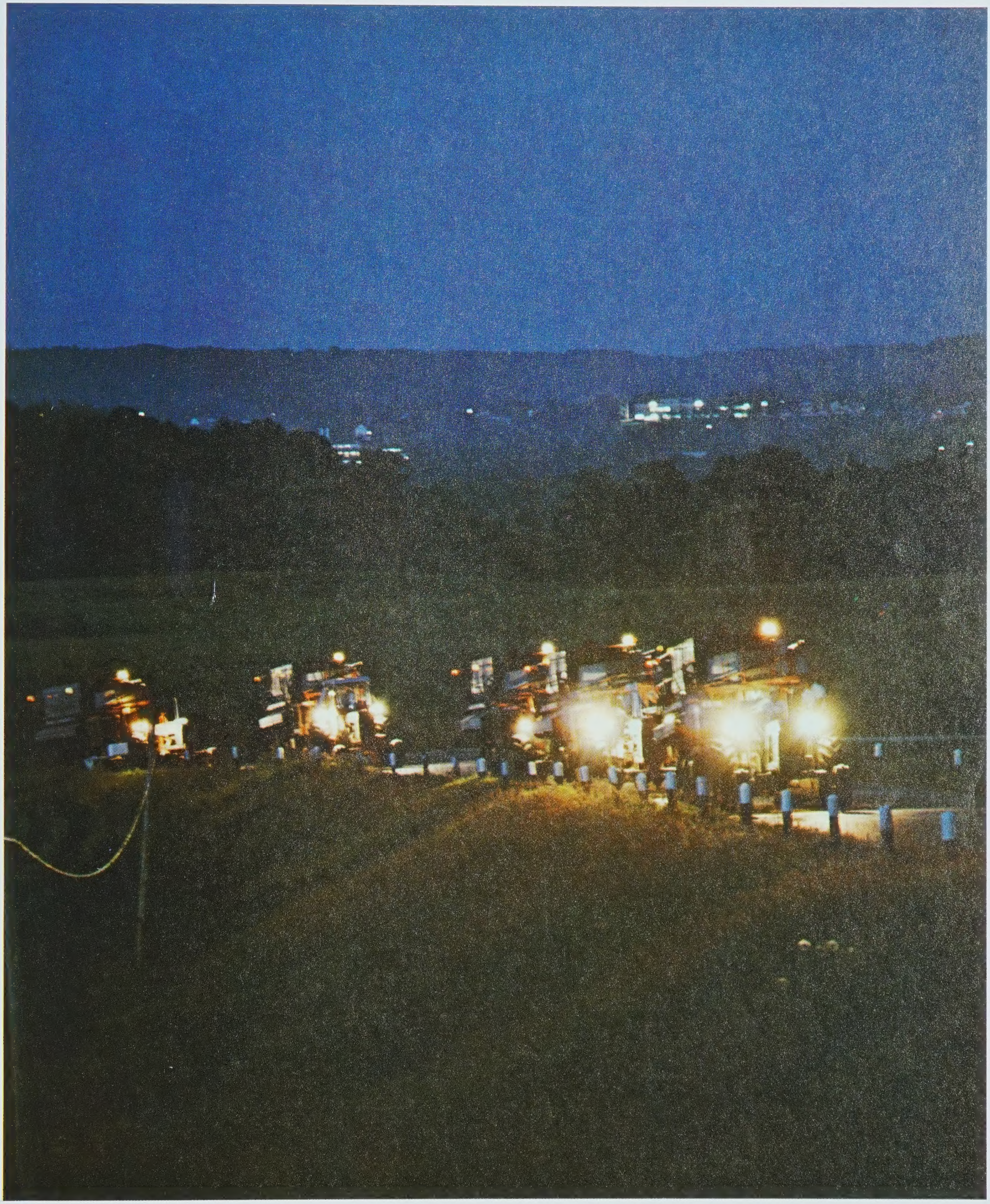
Green Giant Company continues to enjoy an enviable position in the eyes of the consumer through its well known trademark and dedication to uniform superior quality.

Sincerely yours,

June 1, 1968

CHAIRMAN OF THE BOARD

PRESIDENT



Green Giant's agricultural staff schedules pea combines to arrive in the field as the crop is reaching the "fleeting moment of perfect flavor". Therefore, it is not uncommon in the Valley to see pea combines moving late at night.

REVIEW FISCAL 68

Agricultural Research uses germination tests to determine seed vigor. Thousands of these tests, plus other seed breeding endeavors, have resulted in eight new strains put into production during the past five years.

MARKETING

Total sales for the company reached a new high during the past year in spite of the deliberate elimination of selected low volume and/or unprofitable items and the mid-year disposition of the Dulany label.

Share of market gains were registered on Green Giant Brand canned and frozen products.

A substantial volume gain was made on canned green and wax beans which were up 29% over the previous year, due in part to completion of national distribution. Canned asparagus and canned corn were other major items that showed volume increases.

Sales on frozen cook-in-pouch vegetables registered small gains over the previous year. New package designs and new formulations of sauce and product components were tested and are most encouraging. We now have 29 items in distribution. Green Giant Brand now accounts for about three-fourths of all cook-in-pouch vegetable sales. Total frozen sales for the year reached $40,936,000 and now account for 23% of total corporate sales.

Green Giant institutional sales increased moderately over a year ago. This segment of the food industry continues to grow dramatically and we are reassessing our strategy toward an increasing participation.

For the fifth consecutive year, total sales costs, on a per case basis, declined. An additional direct sales office was opened in Detroit, Michigan. We now have four direct sales offices located in Atlanta, Cleveland, Detroit and Indianapolis.

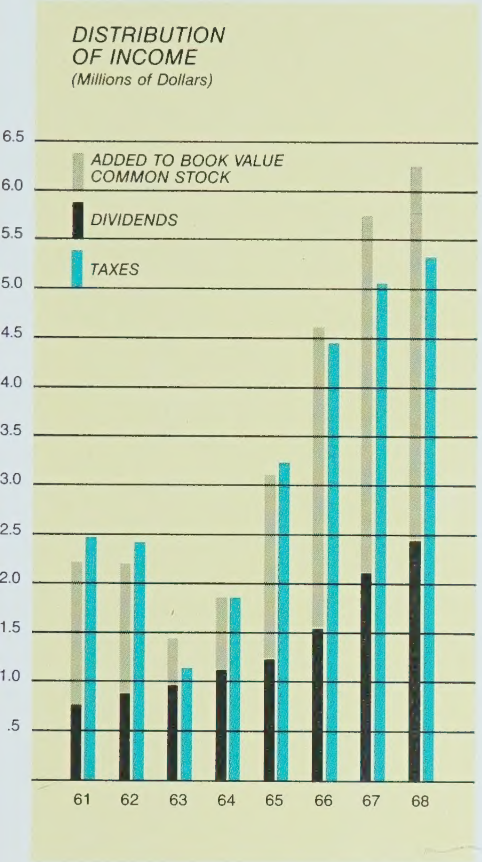
Further emphasis in Marketing was placed during the year on new product and market development. A new department was established with specific responsibility in the market development area. Our Market Research activities were expanded in the area of new product research.

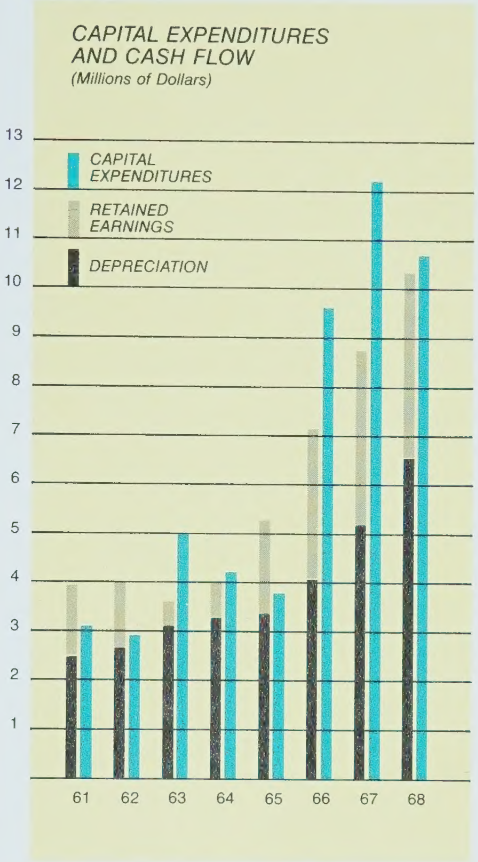
In new products, 1967-68 was another year of innovation for the Jolly Green Giant:

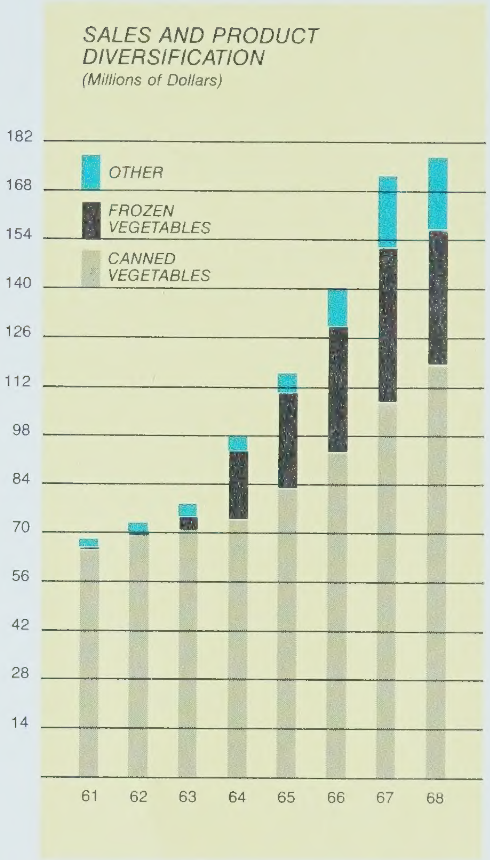
- Canned sweet potatoes under the Green Giant label were expanded from the three original test markets into 22 new markets in the Southeast and East Central. The line consists of four items—baby whole sweet potatoes in regular syrup; small whole sweet potatoes in regular syrup; sweet potatoes with pineapple, and sweet potatoes with spiced apple. Initial reception to the Giant's new sweet potato family has been encouraging.
- Canned spinach seasoned with lemon was introduced in three test markets — Cleveland, Philadelphia and St. Louis.
- Five new frozen rice products were introduced in four test markets—Buffalo, Cleveland, San Francisco and St. Louis. The Giant used his cook-in-pouch concept and for the first time rice products are available in these convenient containers.
- Green Giant Brand pork and bean products entered test markets in March in Hartford, Houston, Minneapolis and Phoenix. The products include three items of brown sugared pork and beans with tomato sauce and three items of Ovencrock Brand beans in molasses sauce.
- Sales of frozen fruits remain in the original two test areas. Results to date do not warrant expanding distribution of these items.

The Green Giant continued his leadership as the largest advertiser of canned and frozen vegetables. Response to the television commercials and ads appearing in print media continues to be excellent. Our big green trademark with his Ho-Ho-Ho and his ubiquitous little helpers made more appearances than ever on television. A recent consumer premium offer—a giant size green footprint rug—set a Valley record in terms of total number of premiums ordered. An added indication of the Green Giant's popularity was the continuation of free publicity mentions he received throughout the year. The unique friendliness with which adults and youngsters regard our Jolly Green Giant trademark has given our promotional dollars substantial added mileage.

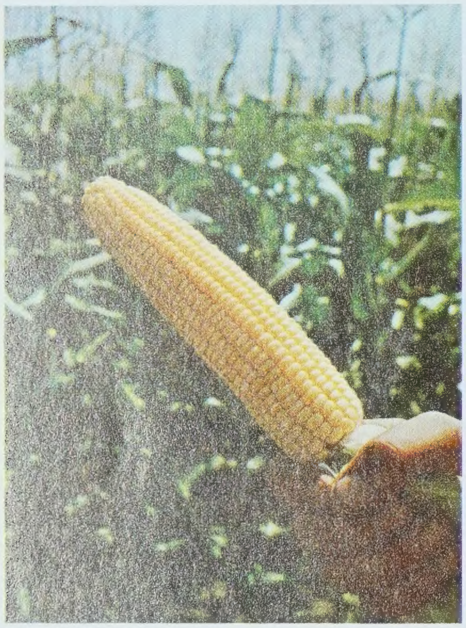
In Canada, the past year was noteworthy in that we completed the integration of marketing and distribution operations of Green Giant and Clark Foods. During the past year, tomato juice under the Green Giant label was introduced to British Columbia as a test market—results to date are inconclusive. An advertising program was started on Clark Brand products and the entire Clark line underwent a label redesign program.







At the plant, product grading is on an hourly timetable. Grading samples are sent to Le Sueur daily. After pack, regrading begins. This does not end the quality check. Management groups frequently cut samples to insure maintenance of label integrity.



Tall, firm kernels. Golden color. Flavor fresh. The Giant goes to a lot of trouble to breed these qualities into his special corn.

Good sales gains were made in export markets. In the United Kingdom canned corn sales were up 11.8% with Green Giant's share of the U. K. corn market hitting a record high of 64% during the year. Total cases exported to countries other than the U. K. increased 15% over the previous year.

OPERATIONS

Production in fiscal 1968 exceeded 1967 by 6.9% with the highest percentage of fancy quality in the company's history. Costs were somewhat above Plan, due to forced out-of-normal season planting and harvesting.

The year was characterized, however, by consolidation in more profitable locations with advanced techniques and equipment. The Lacey, Washington mushroom facilities and the Exmore, Virginia and Bridgeville, Delaware Dulany properties were disposed of in favor of more efficient expanded operations at Niles, Michigan and Fruitland, Maryland.

Our principle of leased farming of asparagus was initiated in California and an asparagus canning line was installed at Yuba City.

During the year, we completed conversion to mobile pea combines in the Midwest. In the Pacific Northwest, most of our pea acreage is now harvested by pea combines that self level to the steeper slopes there.

Semi-automatic huskers were used for the first full season at Glencoe, Minnesota and Belvidere, Illinois. Further husker refinements to improve product recovery are being made.

A new program of maintenance procedures and standards with incentives for reduction of other indirect costs has been initiated with completion scheduled for 1968-69. Substantial savings should result.

Thirteen new products were successfully put into the production line to meet marketing demand.

Canadian production was near normal on all seasonal packs except tomatoes where a record volume enabled us to supply new marketing expansion efforts.

During the year, we finalized an agreement whereby Green Giant Company became a 26% owner of a Mexican canning company. We also are entering into an agreement with them for the furnishing of technical assistance and the licensing of the Green Giant trademark in Mexico.

We continue to receive a portion of our mushroom requirements from Taiwan. These are grown and processed under our direct supervision.

The operation of Green Giant Italiana, S.p.A. was assessed and in view of questionable prospects in meeting company profit goals, it was decided to liquidate this corporation. Its assets are being disposed of at present.

RESEARCH AND DEVELOPMENT

Research and Development continued to receive major emphasis in the company during the past year. Green Giant now spends about 1% of dollar sales for product research or more than twice the food industry average of 0.4%.

Acceleration in development of new products, a smoother transfer of concept from pilot stage to full scale production are benefits the new Product Research building can provide.

Some fields mature irregularly requiring field harvesting by sections. Later, as uncut sections mature, they are harvested. Improved field surveying techniques and mechanization have allowed Green Giant to add this refinement for maximum use of the "fleeting moment" theory.

Final inspection of product is performed by trained inspectors who can spot one bad kernel among a hundred good ones.

To determine the exact hour of harvest, field samples are run through a refractometer to measure tenderness and maturity.

A program for the modernization of our research facilities commenced five years ago was completed this March. These facilities built on a campus plan include the very latest for research in agriculture, food sciences, packaging and new product development. We are proud of the imaginative people in our R and D division and boast of an exceptional number of advanced degrees among them.

Agricultural research is slow and painstaking, but ultimately rewarding. Having begun its agricultural research in 1926, Green Giant Company has built up a considerable reservoir of know-how. Such know-how receives quick application to new problems and products.

Food Science research continues in the development of techniques to test product ingredients and finished products to assure conformance to our high standards of product wholesomeness. As new products are being developed, more sophisticated preparation procedures and controls are researched for optimum quality.

Packaging research was established as a separate entity this past year in recognition of the dynamic changes occurring in this area. Green Giant was instrumental in the development of the cook-in-pouch concept of packaging and more recently has worked closely with manufacturers in the development of shrink film as an alternate package for encasing canned goods.

New Product research and development continues in Green Giant at an accelerating pace and receives considerable attention from all segments of the company. Systems for receiving new product ideas and shepherding them through to ultimate production and marketing are working with a high degree of effectiveness.

TOTAL QUALITY CONTROL

A strong continuing emphasis is placed on total quality control to insure the maintenance of our quality image and label integrity. Our quality control organization is staffed by competent, scientifically trained personnel in every area of our operations.

Total quality control includes auditing the selection and preparation of the fields, seed production, planting, growing, harvesting, canning or freezing and packaging. All product lots are graded four times to assure that uniform high quality products are released for labeling, shipping and consumption. In addition, samples are taken from the grocer's shelf and are evaluated periodically against competition.

Satellite evaluation labs have been established in California, Maryland and Wisconsin giving closer control and faster service to each region.

FACILITIES PLANNING

Total growth in recent years and a stepped-up pace of new product additions have increased need for facility spending.

This past year capital expenditures were $10,662,000. Our Midwest operations were completely converted to pea combines. Expansion of pea and corn facilities to reduce high risk and high cost out-of-season processing was accomplished at Cokato, Glencoe, Le Sueur, Montgomery, Minnesota; Fox Lake, Wisconsin and Ste. Martine, Quebec, Canada. The new concept distribution service center at Atlanta, Georgia was expanded. Bean processing was added to Waitsburg, Washington. Facilities were added at all frozen packaging centers to reduce costs and adjust to new product needs. Housing and related service facilities were added at many locations. An Office Services center was added to our Le Sueur, Minnesota headquarters office complex. A new Product Research and Development building was completed as a part of our research campus in Le Sueur, Minnesota.

We have recently set out Facilities Planning and Administration as a separate function to give this important service the intensive management it requires. Facility needs based on product projections are now being planned three years in advance.

A new corn plant at London, Ontario will be completed in early August to meet the needs of the growing Canadian market with enough plant capacity to minimize early and late season risks.

A major corn plant expansion at Buhl, Idaho promises profitable growth while decreasing seasonal risks.

Increased demands of the institutional market for Green Giant's distinctive cream style corn will be further

Not too thick, not too thin. In the grading lab, the consistometer is used to measure cream style corn consistency.

Before graded peas move into the plant, a dry cleaning process removes extraneous leaves, vines and foreign materials.

satisfied by the installation of new Orbitort cookers at Rosendale, Wis.

We are adding facilities for packing peas at Fruitland, Maryland which will enable us to produce more products closer to the eastern metropolitan centers with attendant decreases in distribution costs.

Ten new mushroom growing houses and added processing facilities at Niles, Michigan will replace a less profitable growing and processing facility sold at Lacey, Washington and will eliminate some costly co-packing arrangements.

To increase profitability of our share of the institutional food market, a new institutional size can manufacturing line will be in operation at Savage, Minnesota in February, 1969.

A new distribution center at Parkesburg, Pennsylvania is scheduled for completion in November, 1968 for improvement in distribution efficiency and better service to customers.

FINANCE

Progression towards our planned goals has regularly included consideration of capital requirements necessary to attain these objectives.

In August, 1967 a convertible subordinated debenture issue for $12,000,000 was marketed successfully. These 4¼% obligations are convertible into common stock at $44 per share and mature August 1, 1992. The proceeds, in part, were used to retire loans obtained under a revolving credit agreement arranged earlier in 1967. This revolving credit agreement which extends to 1970 makes available $9,800,000 in funds supplementary to equity and other capital sources.

These actions have strengthened our capital position and will allow a satisfactory degree of flexibility in approaching our needs during the near term.

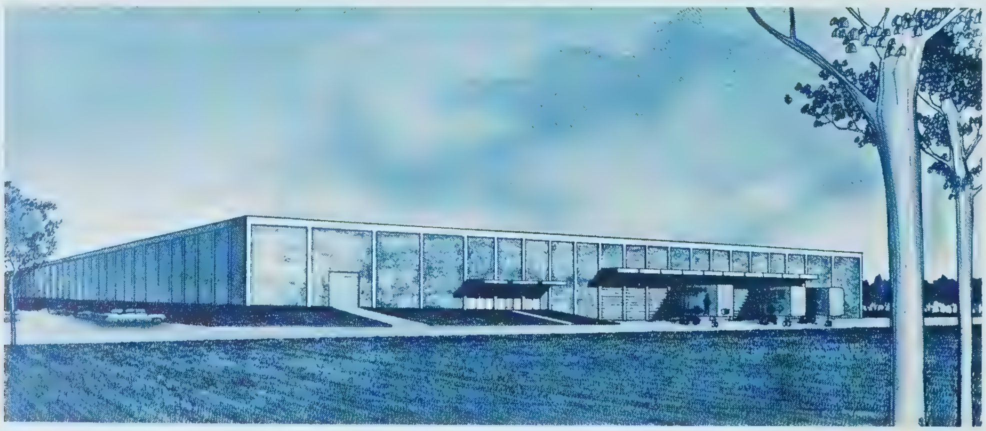
Working capital increased over the previous year by $12,235,000 with a ratio of 2.4 current assets over current liabilities.

Recognizing the additional working capital requirements of our Canadian subsidiary developing through their substantially increased sales volume and facilities expansion, our equity position in Green Giant of Canada, Limited was expanded this year.

In consideration of the export shipments made to England, protective action was initiated prior to devaluation of the pound. This protective action is being continued, subject to regular review.

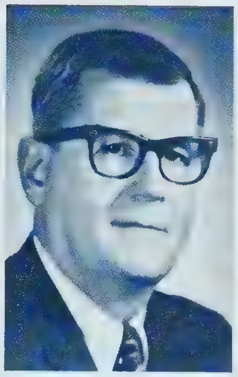
Factual reporting to the investment community and to you, as shareholders, has been developed on a continuing basis through the medium of regularly scheduled meetings and

Mechanical graders are used to sort beans by size. Medium sieves pass through "Kitchen-Sliced" cutters before inspection.



Improved service to the trade will be provided through construction of a 150,000 sq. ft. distribution center at Parkesburg, Pennsylvania.

C. J. TEMPAS



J. G. MARTLAND

J. W. DAVANT

P. H. NASON

Water is critical to bean quality. The Green Giant's "weathermen" keep an accurate daily account of how much water is sprinkled on his crop. When the natural source is not equivalent to need, irrigation equipment goes into use.

news releases. For the first time, quarterly reports were mailed each period this year to shareholders and investment groups. It is our belief that this information will afford an opportunity for investors to follow our progress in greater depth.

INDUSTRIAL RELATIONS

Management replacement planning was formalized last year. We are building replacement strength for key employees who are likely to be promoted in a few years or who are approaching retirement.

In 1967, we augmented the field personnel administration group which is responsible for seasonal recruitment. During the summer, our work force increases from 3,700 to approximately 18,000 comprised of local homemakers, high school and college students, teachers and migrant laborers.

This year we had 16 retiring employees with an average of 23 years of service. Twenty-one employees received the 25-year award and 38 received the 15-year award. This loyalty between employees and company in itself speaks well for the fine relationships and the opportunities that have existed in Green Giant throughout the years.

OFFICERS AND DIRECTORS

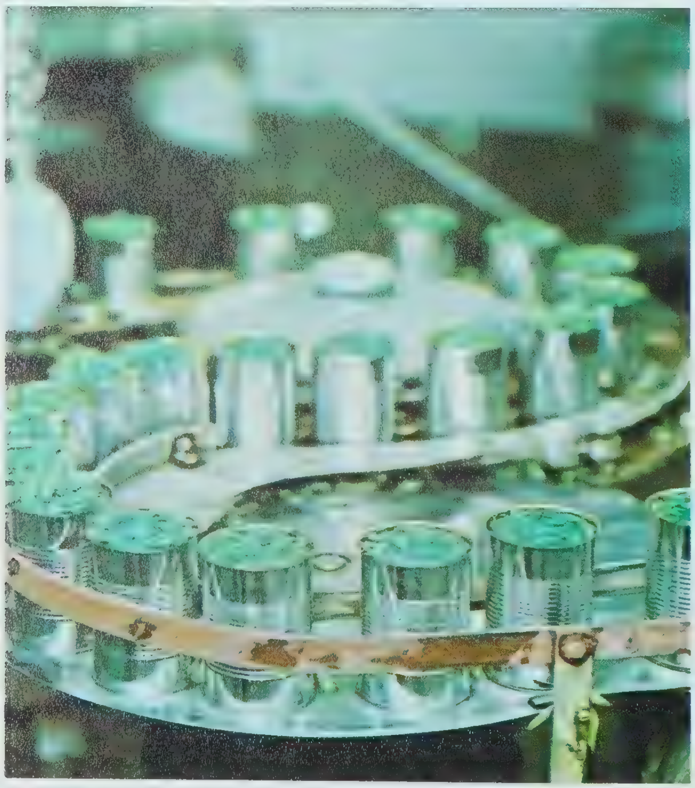
C. J. Tempas, formerly senior vice president-Operations, is now executive vice president with responsibility for Marketing and Operations.

J. G. Martland, formerly director of Agricultural Research and Seed Production, is now vice president—Research and Development.

Three directors reached the company retirement age for board members during the year and, therefore, did not stand for re-election at the Annual Stockholders meeting on July 25, 1967. Arthur R. Upgren, a director since 1946, Edward C. Brown, a director since 1959 and Milton H. Morris, a director since 1959, made significant contributions during their years of service as directors.

Two new directors were elected to the board during the year—James W. Davant, managing partner of Paine, Webber, Jackson and Curtis, New York and Philip H. Nason, president, First National Bank of Saint Paul.

Bean quality is dependent upon many factors including measurement of the pod and the seed.



As with corn and peas, all the goodness in the seed comes out only if the bean is planted just right; looked after closely; picked, packed and cooked as fast as possible.

Statement of Earnings and Retained Earnings

Year ended March 31, 1968
with comparative figures for 1967 (note 1)

	1968	1967
Sales, net after returns and allowances	**$177,623,075**	173,033,012
Other income, net	**1,068,959**	823,146
Total	**178,692,034**	173,856,158
Costs and expenses:		
Cost of goods sold	**118,534,957**	115,672,193
Marketing, distribution and general expense	**44,748,178**	44,006,496
Interest expense	**3,523,427**	2,755,185
Amortization of excess of cost over equity in subsidiaries acquired (note 1)	**201,000**	211,638
Net loss of unconsolidated subsidiary (note 1)	**95,905**	413,485
Income taxes, less investment credit of $487,000 ($461,000 in 1967)	**5,319,080**	5,063,047
Total	**172,422,547**	168,122,044
Net earnings—$2.21 per common share ($2.13 giving effect to debenture conversion—see note 4); $2.10 in 1967	**6,269,487**	5,734,114
Retained earnings at beginning of year	**32,479,170**	28,858,343
	38,748,657	34,592,457
Dividends declared:		
Preferred stock—$5.00 per share	**121,665**	121,665
Common stock—$.84 per share; $.75 per share in 1967	**2,343,254**	1,991,622
	2,464,919	2,113,287
Retained earnings at end of year	**$ 36,283,738**	32,479,170
Depreciation and amortization for year (computed primarily by accelerated methods)	**$ 6,626,343**	5,208,012

See accompanying notes to financial statements.

Statement of Financial Position

March 31, 1968
with comparative figures for 1967 (note 1)

	1968	1967
Current assets:		
Cash	$ 2,565,554	3,801,491
Receivables from customers and others, less allowance for doubtful accounts (note 2)	20,877,732	13,608,486
Inventories, at the lower of cost (first-in, first-out) or market (note 2):		
Processed foods	39,259,906	33,434,961
Containers, seed and supplies	21,171,983	20,287,035
Prepaid expenses	1,938,324	1,593,279
Total current assets	85,813,499	72,725,252
Current liabilities:		
Notes payable (note 2)	18,548,444	19,184,178
Current maturities of long-term debt	2,816,579	2,486,136
Accounts payable	6,130,384	5,736,195
Accrued expenses	7,086,200	5,131,278
Income taxes	1,198,100	2,388,088
Total current liabilities	35,779,707	34,925,875
Working capital	50,033,792	37,799,377
Investment in and advances to unconsolidated subsidiary (note 1)	—	368,522
Property, plant and equipment, at cost less accumulated depreciation (notes 3 and 4)	39,287,489	36,264,578
Unamortized excess of cost over equity in subsidiaries acquired (note 1)	3,363,076	3,950,590
Deferred charges and other assets	1,292,805	1,354,458
	93,977,162	79,737,525
Long-term debt, less current maturities (note 4)	34,178,874	24,072,408
	59,798,288	55,665,117
Minority interest in subsidiaries	125,572	414,509
Excess of assets over liabilities	$59,672,716	55,250,608
Stockholders' equity (notes 4, 5 and 6):		
Preferred stock	$ 2,433,300	2,433,300
Common stock	20,955,678	20,338,138
Retained earnings	36,283,738	32,479,170
Commitments (note 7)		
	$59,672,716	55,250,608

See accompanying notes to financial statements.

Source and Application of Funds

Year ended March 31, 1968
with comparative figures for 1967 (note 1)

	1968	1967
Funds provided:		
Net earnings for the year	**$ 6,269,487**	5,734,114
Add charges against earnings not requiring funds:		
Depreciation and amortization	**6,626,343**	5,208,012
Net loss of unconsolidated subsidiary and charge-off of balance of investment and advances in 1968 (note 1)	**368,522**	413,485
Amortization of excess of cost over equity in subsidiaries acquired	**201,000**	211,638
Sundry	**39,563**	1,786
Funds derived from operations	**13,504,915**	11,569,035
Proceeds from sale of common stock, net	**617,540**	9,879,959
Proceeds from sale of convertible subordinated debentures, net of related debt expense	**11,744,639**	—
Proceeds on sale of common stock of Dulany Foods Inc., less working capital at date of sale	**780,504**	—
Proceeds on disposal of property and equipment, net of gain or loss on disposal	**289,900**	198,710
Proceeds from cash surrender value of life insurance, net of additions	—	131,448
Decrease (increase) in deferred charges and other assets, net	**317,014**	(425,799)
Total funds provided	**27,254,512**	21,353,353
Funds used:		
Dividends	**2,464,919**	2,113,287
Additions to property, plant and equipment	**10,661,644**	12,218,158
Advances to unconsolidated subsidiary	—	74,350
Decrease in long-term debt—net, other than for issuance of debentures in 1968	**1,893,534**	205,361
Total funds used	**15,020,097**	14,611,156
Increase in working capital	**$12,234,415**	6,742,197

Notes to Financial Statements *March 31, 1968*

1 Principles of Consolidation

The accompanying financial statements include the accounts of Green Giant Company and all subsidiaries (100%-owned other than for a minor 1.49% interest in the Canadian subsidiary) except Green Giant Italiana S.p.A., which is in the process of liquidation. All material intercompany accounts and transactions have been eliminated in consolidation. The accounts of foreign subsidiaries have been converted at appropriate historical or current rates of exchange.

The accounts of Green Giant Land and Development Company, the investment in which was previously carried at equity in net assets, have been consolidated for the first time in the year ended March 31, 1968 and comparative figures for 1967 have been restated to conform to this change in consolidation policy.

The net loss of the unconsolidated subsidiary, Green Giant Italiana S.p.A. for the year ended March 31, 1968 includes its net operating loss to date of commencement of liquidation procedures, $245,905, and estimated loss upon final liquidation of $1,300,000, less United States income tax benefits of $1,450,000 attributable to such losses and to losses previously recorded but not recognized for income tax purposes.

Unamortized excess of cost over equity of $386,514 was charged off in connection with sale of Dulany Foods Inc. in September, 1967. The remaining excess of cost over equity in net assets as shown by the books of a subsidiary at date of acquisition, $3,807,254, is being amortized over a period of twenty years.

2 Short-term Borrowings of Canadian Subsidiary

In accordance with the usual practice under provisions of the Canadian Banking Act, approximately $3,040,000 of receivables and $11,183,000 of inventory of the Canadian subsidiary were pledged to secure short-term indebtedness to banks of $8,868,444 at March 31, 1968.

3 Property, Plant and Equipment

	1968	1967
Land and land improvements	**$ 1,999,430**	1,917,044
Buildings	**19,431,228**	18,386,424
Machinery, equipment and fixtures	**44,952,672**	36,532,057
Construction in progress	**4,085,551**	7,693,906
	70,468,881	64,529,431
Less accumulated depreciation	**31,181,392**	28,264,853
	$39,287,489	36,264,578

4 Long-term Debt, Less Current Maturities

	1968	1967
Green Giant Company:		
4¼% Convertible subordinated debentures, due August 1, 1992	**$12,000,000**	—
4¾% Series A notes, due $900,000 annually to December 31, 1969	**900,000**	1,800,000
5% Series B notes, due $900,000 annually, December 31, 1970 to 1981 and $3,100,000 on December 31, 1982	**13,900,000**	13,900,000
6% note, due December 16, 1969	**3,719,849**	3,719,849
4¾% to 5¼% notes, due in decreasing annual instalments to 1973	**510,963**	788,866
5% and 6% notes, due semi-annually to 1981	**823,603**	880,336
5% to 5¼% mortgage notes (secured by approximately $500,000 of plant and equipment), due in varying monthly instalments to 1980	**261,389**	297,515
Unsecured note payable due November 1, 1969 with interest at ¼ of 1% per annum over prime rate	**559,997**	—
Equipment contracts, etc., extending to 1980, due principally in 1968 and 1969	**484,940**	1,253,771
Green Giant Land and Development Company–equipment contracts, etc. extending to 1981, due principally in 1970	**129,539**	477,649
Green Giant of Canada, Limited:		
5¼% serial debentures, due $100,000 annually to May 1, 1968	—	100,000
6% serial debentures, due $69,375 annually, May 1, 1969 to 1978	**693,750**	693,750
Equipment contracts, due in varying instalments to 1971	**194,844**	160,672
	$34,178,874	24,072,408

Aggregate annual maturities of long-term debt for each of the five fiscal years following March 31, 1968 are as follows: 1969—$2,816,579; 1970—$6,173,283; 1971—$1,273,532; 1972—$1,186,086; 1973—$1,124,856.

In addition to requiring maintenance of working capital, a 150% current asset ratio, and other covenants, the long-term debt agreements contain provisions restricting the payment of cash dividends and the purchase or redemption by the Company of shares of its capital stock. At March 31, 1968, the amount of unrestricted retained earnings was approximately $10,400,000 and working capital exceeded the required minimum, as defined, by approximately $32,500,000.

The 4¼% convertible subordinated debentures are convertible into shares of common stock at $44.00 per share, subject to adjustment under antidilution provisions, and 272,727 shares of authorized and unissued common stock are reserved for issuance on such conversion. On or before each July 31, beginning in 1977, the Company is required to make sinking fund payments equal to 5% of the principal amount of debentures outstanding on July 31, 1976.

The Company has elected not to record debt discount attributable to the conversion privilege of these debentures as permitted by opinion No. 12 of the Accounting Principles Board of The American Institute of Certified Public Accountants. A proposed new opinion may require retroactive recognition of approximately $3,400,000 of debt discount. Had such debt discount been recorded, net earnings for the year ended March 31, 1968 would have been decreased by $26,427. Net earnings per common share giving effect to debenture conversion is based on debentures being converted to common stock upon issuance and net earnings adjusted for interest expense on the debentures less effect on retirement trust, bonus and income tax provisions.

The Company has a revolving credit agreement with banks which provides for borrowing up to $9,800,000 (none outstanding at March 31, 1968) through September 30, 1970 at ¼ of 1% per annum above prime rates and for payment of a commitment fee of ¼ of 1% per annum on average daily unused balances.

5 Capital Stock

At March 31, 1968, the authorized capital stock of the Company consisted of 500,000 shares of voting preference stock of $1 par value per share, authorized during the year, for which the Board of Directors shall have the power to fix the rights, preferences and restrictions (none outstanding at March 31, 1968); 50,000 shares of 5% cumulative preferred stock of $100 par value per share (callable at $110 per share) of which there were 24,333 shares issued and outstanding at beginning and end of the year; and 4,000,000 shares of common stock without par or stated value. Changes in common capital stock issued and outstanding during the year were as follows:

	Shares	*Amount*
Outstanding at beginning of year.....	2,763,896	$20,338,138
Sold upon exercise of options........	32,080	617,540
Outstanding at end of year..........	2,795,976	$20,955,678

6 Stock Options

Under terms of an employee stock option plan, options to purchase 42,500 shares of common stock of the Company have been granted and are outstanding to officers and key employees at March 31, 1968 and an additional 15,740 shares are reserved for granting of future options. An option granted prior to December 31, 1963 is at a price equal to 95% of fair market value at date of grant, exercisable over a maximum of six years; options granted after such date are at 100% of fair market value at dates of grant, exercisable over a maximum of five years. Options outstanding at March 31, 1968 have been granted at prices ranging from $19.95 to $39.00 per share ($39.00 in current year) and at dates of grant had an aggregate fair market value of $1,262,060 or an average of $27.34 per share. Changes in outstanding options during the year are summarized as follows:

	Outstanding		*Currently exercisable*	
	Shares	*Option price*	*Shares*	*Option price*
Balance at beginning of year.	61,580	$1,370,492	39,280	$794,480
Options granted or becoming exercisable.......	13,000	507,000	7,275	186,230
Options exercised ..	(32,080)	(617,540)	(32,080)	(617,540)
Balance at end of year...........	42,500	$1,259,952	14,475	$363,170

7 Commitments

Commitments for purchase or construction of plant, property and equipment aggregated approximately $12,157,000 at March 31, 1968.

The Companies use certain plants, warehouses, crop land, and plant and field equipment under arrangements which resulted in total rental expense of $6,276,391 for the year ended March 31, 1968, including amounts payable under noncancelable leases which require fixed annual or seasonal rentals and, in some cases, payment of taxes, maintenance and insurance, and additional payments based on crop yields or usage. Total minimum rentals under noncancelable leases in force at March 31, 1968 amounted to $13,911,844 and are payable in fiscal years as follows: 1969 — $3,862,569; 1970 — $2,957,977; 1971 — $2,224,188; 1972—$1,445,165; 1973—$980,198; 1974 and thereafter—$2,441,747.

8 Retirement Plan

Provisions for contributions under the Company's noncontributory (profit sharing) retirement plan were charged to earnings in the amounts of $1,215,270 and $1,330,653, respectively, for fiscal years 1968 and 1967.

Accountants' Report

The Board of Directors and Stockholders
Green Giant Company:

We have examined the statement of financial position of Green Giant Company and consolidated subsidiaries as of March 31, 1968, and the related statement of earnings and retained earnings and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of financial position and statement of earnings and retained earnings present fairly the financial position of Green Giant Company and consolidated subsidiaries at March 31, 1968, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and application of funds for the year ended March 31, 1968, presents fairly the information shown therein.

Minneapolis, Minnesota
May 13, 1968

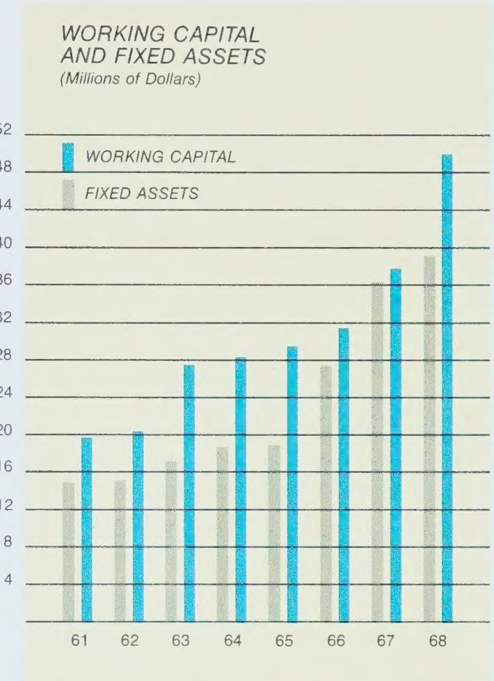
Peat, Marwick, Mitchell & Co.

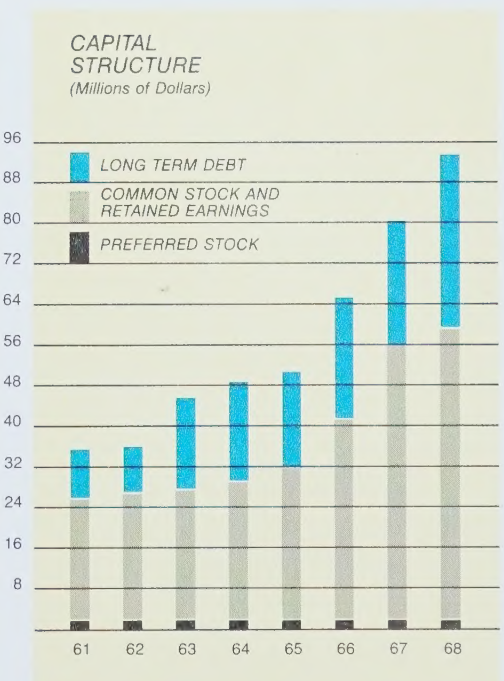
Ten Year Summary *(Dollars in thousands, except per share figures)*

Year Ended March 31	1968	1967(C)	1966	1965
INCOME AND DIVIDENDS:				
Net Sales	**$177,623**	$ 173,033	$ 139,500	$ 115,713
Net Earnings After Income Taxes	**6,269**	5,734	4,649	3,113
Preferred Dividends	**122**	122	122	122
Net Earnings Applying to Common	**6,147**	5,612	4,527	2,991
Common Dividends	**2,343**	1,991	1,440	1,113
Earnings Reinvested	**3,804**	3,621	3,087	1,878
Per Share of Common Stock:				
Net Earnings *(A)*	**2.21**	2.10	1.96	1.47
Dividends (Current Annual Rate 88¢) *(A)*	**.84** *(B)*	.75	.65	.57½
Percent Net Earnings on Sales	**3.5**	3.3	3.3	2.7
FINANCIAL POSITION:				
Working Capital	**$ 50,034**	$ 37,799	$ 31,455	$ 29,537
Property, Plant and Equipment (Net)	**39,287**	36,265	27,519	18,835
Other Assets	**4,531**	5,259	6,234	2,530
Total Assets	**93,852**	79,323	65,208	50,902
Less Long-Term Debt	**34,179**	24,072	23,458	18,942
Stockholders' Equity	**59,673**	55,251	41,750	31,960
Common Stock Equity per Share *(A)*	**20.47**	19.11	16.48	14.27
OTHER STATISTICS:				
Ratio—Current Assets to Current Liabilities	**2.4-1**	2.1-1	2.0-1	2.7-1
Capital Expenditures	**$ 10,662**	$ 12,218	$ 9,576	$ 3,801
Depreciation and Amortization	**$ 6,626**	$ 5,208	$ 4,079	$ 3,409
Income Taxes	**$ 5,319**	$ 5,063	$ 4,423	$ 3,202
Common Shares Outstanding (Average)	**2,785,303**	2,676,310	2,305,963	2,041,521

(A) After adjustments for 2-for-1 stock split July, 1960 and April, 1965
(B) First and second quarters at 20¢, third and fourth quarters at 22¢
(C) Adjusted for consolidation of Green Giant Land and Development Company

1964	1963	1962	1961	1960	1959
$ 97,632	$ 78,195	$ 75,039	$ 67,595	$ 64,116	$ 57,143
1,812	1,476	2,193	2,202	1,816	1,919
122	122	122	112	107	107
1,690	1,354	2,071	2,090	1,709	1,812
987	869	769	658	558	474
703	485	1,302	1,432	1,151	1,338
.84	.69	1.05	1.09	.99	1.05
.52½	.47½	.42½	.37½	.32½	.27½
1.9	1.9	2.9	3.3	2.8	3.4
$ 28,276	$ 27,493	$ 20,294	$ 19,652	$ 15,509	$ 14,823
18,658	17,119	15,197	14,865	12,256	12,498
1,748	1,400	991	1,212	1,673	1,534
48,682	46,012	36,482	35,729	29,438	28,855
19,090	18,000	8,975	9,550	5,975	6,500
29,592	28,012	27,507	26,179	23,463	22,355
13.35	12.95	12.71	12.07	12.42	11.74
2.4-1	3.1-1	2.9-1	3.9-1	3.0-1	3.1-1
$ 4,153	$ 5,017	$ 2,980	$ 3,084	$ 1,986	$ 1,780
$ 3,279	$ 3,088	$ 2,673	$ 2,525	$ 2,125	$ 2,142
$ 1,791	$ 1,134	$ 2,425	$ 2,495	$ 2,058	$ 2,159
2,002,963	1,974,322	1,971,198	1,920,679	1,718,736	1,722,216





Green Giant Company Products

GREEN GIANT BRAND

CANNED

ASPARAGUS: *Whole Spears, Cut Spears*
BEANS *(Green): Whole, French-style, Diagonal Cut*
BEANS *(Wax): Whole, French-style, Diagonal Cut*
CORN *(Golden): Whole Kernel in Liquid, Cream-style*
CORN *(White): Whole Kernel Shoe Peg*
MUSHROOMS: *Whole, Sliced in Glass, Whole, Random Sliced in Sauce with Butter*
PEAS: *Sweets, Early Junes with Onions*
PORK AND BEANS: *with Tomato Sauce or Molasses Sauce*
SPINACH: *Seasoned with Lemon*
SWEET POTATOES: *with Pineapple, Apple or Syrup*

FROZEN VEGETABLES

IN BUTTER SAUCE: *Cut Asparagus Spears, Baby Brussels Sprouts, Broccoli Spears, Carrot Nuggets, Whole Kernel Golden Corn, Whole Kernel Golden Corn with Sweet Peppers, Whole Kernel White Shoe Peg Corn, Diagonal Cut Green Beans, French-style Green Beans, Baby Lima Beans, Whole Mushrooms, Little Baby Peas, Spinach, Sweet Peas, Sweet Peas with Tiny Whole Onions, Mixed Vegetables*
IN CHEESE SAUCE: *Broccoli, Cauliflower*
IN MUSHROOM SAUCE: *Diagonal Cut Green Beans*
OTHER: *Creamed Spinach, Creamed Onions, Niblets Corn Cream-style*

FROZEN FRUITS

Strawberries, Blueberries, Raspberries, Peaches, Mixed Fruit

FROZEN RICE

Buttered, Pilaf, Spanish, Verdi, Medley

NIBLETS BRAND

CORN *(Golden): Vacuum Packed Whole Kernel*

MEXICORN BRAND

CORN *(Golden): Vacuum Packed Whole Kernel with Sweet Peppers*

LE SUEUR BRAND

ASPARAGUS: *Extra Large Whole Spears*
CORN *(White): Whole Kernel Shoe Peg*
PEAS: *Early Junes*

DAWN FRESH BRAND

Mushroom Steak Sauce, Brown Gravy

KOUNTY KIST BRAND

ASPARAGUS: *Whole Spears, Cut Spears*
BEANS *(Green): Whole, French-style, Diagonal Cut*
BEANS *(Wax): French-style, Diagonal Cut*
CORN *(Golden): Vacuum Packed Whole Kernel, Liquid Packed Whole Kernel, Cream-style*
PEAS: *Sweets, Early Junes*

CLARK BRAND

CANNED: *Chowders, Baked Beans, Soups, Spreads, Stews and Tomato Juice*

Growing and Processing Areas

ASPARAGUS *California, Delaware, Maryland, New Jersey, Oregon, Washington*

BROCCOLI *California*

BRUSSELS SPROUTS *California, Wisconsin*

CARROTS *California*

CAULIFLOWER *California*

CORN *Idaho, Illinois, Iowa, Minnesota, Wisconsin; Ontario, Quebec*

LIMA BEANS *California, Delaware, Washington; Ontario*

MUSHROOMS *Michigan, Pennsylvania; Formosa*

ONIONS *California, Colorado, Illinois*

PEAS *Delaware, Illinois, Iowa, Minnesota, Oregon, Washington, Wisconsin; Ontario, Quebec*

PEPPERS *Delaware, New Jersey, North Carolina; Ontario*

SWEET POTATOES *Delaware, Maryland, Virginia*

SNAP BEANS (Green and Wax) *California, Delaware, Illinois, Indiana, New York, North Carolina, Virginia, Wisconsin; Ontario, Quebec*

SPINACH *California, Delaware*

TOMATOES *Ontario*

Plant Locations

Green Giant Company

CALIFORNIA *Watsonville, Yuba City*

DELAWARE *Woodside*

IDAHO *Buhl*

ILLINOIS *Belvidere*

MARYLAND *Fruitland*

MICHIGAN *Niles*

MINNESOTA *Blue Earth, Cokato, Glencoe, Le Sueur, Montgomery, Savage, Winsted*

NEW JERSEY *Vineland*

WASHINGTON *Dayton, Waitsburg*

WISCONSIN *Beaver Dam, Fox Lake, Ripon, Rosendale*

Green Giant of Canada Limited

ONTARIO *Harrow, London, Tecumseh*

QUEBEC *Ste. Martine, Ste. Remi*

Green Giant Company, LeSueur, Minnesota 56058
Marketing and executive offices: Green Valley Drive, 8000 Normandale Boulevard, Minneapolis, Minnesota 55431